

House Select Committee on E Procurement

Review

Overview of State Procurement Law and Procedures

Information Technology Procurement

E Procurement

Presentations and Demonstrations

Department of Administration

University of North Carolina General Administration

North Carolina Accounting System

Department of Administration E Procurement Contract

Business Intelligence/Spend Analysis

Discussion

Procurement

How do the current e procurement systems fit into the State's overall procurement process?

- Department of Administration
 - o 234 entities use
 - o Approximately \$2.5 billion per year spend
 - o Used for goods (40%) and services (60%)
 - o Funded with 1.75% fee for goods purchased
 - o Interfaces with North Carolina Accounting System (NCAS)
- UNCGA
 - o President's Advisory Committee on Efficiency and Effectiveness (PACE) initiative
 - o Sciquest system used by all but two campuses
 - o Electronic business-to-business processing for the entire purchase to payment process
 - o Funded through fixed price contract
 - o Electronically enables unique requirements
 - o Allows campuses to monitor and manage spend compliance through Spend Compass tool
 - E procurement
 - Other spend

Are there potential changes to be considered?

- Department of Administration
 - o Timeliness of payments to vendors
 - o North Carolina Accounting System interface
- Interface between systems
 - o Spend analysis

Department of Administration Yearly Costs:

Operating fees (Vendor)	\$10,484,820 (FY2010-2011)
Vendor maintenance agreement	439,778
Hosting fee	203,000 (estimate based on current fees)
Software license	113,171 (approx. \$230,000 next FY)
Software license	122,868
Telecomm charges	175,000 (estimate)
Misc. charges and fees	<u>25,000 (estimate)</u>
TOTAL	\$11,541,137

Cost to vendors providing goods 1.75%

University of North Carolina General Administration

One-time implementation cost	\$2.5 million
Annual license fee	\$1.3 million

Funding

How should any State e procurement systems be funded?

- Appropriation
- Fee applied only to goods
- Fee applied to goods and services
- Charge to participating agencies
- Funding with purchase card rebates

If a fee is charged, how should funds in excess of what is required to operate the e procurement system be used?

- Upgrades to system
- Returned to agencies
- Returned to General Fund/Highway Fund

Should there be limitations on the fund?

E Commerce Fund

Currently \$10,748,417 in Fund (as of March 31, 2012)

Current obligations of fund:

\$2,940,352	Ariba Upgrade* (approved by State CIO in 2011)
3,350,000	Additional modules – licenses, implementation & training (approved by State CIO on March 7, 2012 – final cost depends on competitive bids)
439,778	Ariba Maintenance fee (for 2012-13, to be paid in May)
800,000	Estimate of total monthly e-Procurement operational costs paid by State, through 12/2012
<u>138,000</u>	2.8 FTEs (obligated in 2009 Appropriations Act) (estimate - through 12/2012)
\$7,668,130	

*Upgrades will include:

- A single vendor registration system for those businesses that do, or wish to do, business with the State—rather than the two separate, duplicative systems currently required.
- Capability for vendors to submit bids electronically, reducing the amount of paper to be handled and stored.
- An electronic archive for procurement files.
- A data analysis (“business intelligence”) tool that will provide a more accurate evaluation of how much and where the State spends funds in various goods and service categories.

Potential Savings

What potential sources of actual savings have been identified?

- Elimination of manual processing
- No mailing
- Digital documents reduce facility costs
- Efficiencies from end-to-end process (UNCGA)

Could returning functions performed by contractors to the State save money?

How should “soft” savings be considered?

- Procurement process savings
- Payment process savings
- Forms enablement process savings

How should any savings resulting from e procurement efficiencies be used?

- Returned to agency?
- Returned to General Fund/Highway Fund?
- Used to offset e procurement system costs?

Should the State provide incentives for agencies to participate in e procurement and more rigorously implement spend analysis?

Potential Consolidation

Should the state consider migrating to a single e procurement system?

Possible issues:

- Ongoing contracts
- Hardware costs
- Software costs
- Training costs

Is there functionality in either system that could be applied to both (e.g., catalogs, spend analysis, etc.)?

Spend Analysis Applications

Should the State include an e procurement spend analysis capability as part of any business intelligence initiative, or acquire the capability as part of one of the State's systems?

- Department of Administration
 - o Module available for Ariba-part of ongoing procurement
- UNCGA
 - o Currently using Spend Compass at some campuses
 - o Sciquest will offer the capability in the next 18-24 months

Could the spend analysis be accomplished through collaboration between Department of Administration and the University of North Carolina General Administration?

How significantly would the need to cleanse data impact any potential savings?

What are the potential uses from aggregation of information available in each system?

Possible Next Steps

Identify full range of e procurement options for State.

Further consider funding options.

Examine other states' systems and processes.

Request using agency feedback.

Request customer feedback.